

Message Text

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ACTION SS-20

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C O N F I D E N T I A L OTTAWA 3028

POUCHED INFO TO ALL CONSULS IN CANADA

E.O. 11652: GDS
TAGS: ENRG, CA, US
SUBJECT: U.S. EXPORT CONTROLS ON PETROLEUM PRODUCTS

REF: STATE 243568

1. EMBOFF INFORMED EXTAF (FULFORD), ENERGY, MINES AND RESOURCES (SCOTLAND) AND NATIONAL ENERGY BOARD (MORGAN) ON DECEMBER 13 OF U.S. INTENTION REGARDING PETROLEUM EXPORT CONTROLS, DRAWING ON PARAS 1-5 OF REFTEL AS AUTHORIZED. UNIFORM REACTION WAS ONE OF APPRECIATION FOR INFORMATION AND EXPLANATION AND OF GENERAL IMPRESSION THAT CONTROLS WOULD NOT REPEAT NOT HAVE SEVERE IMPACT, WITH ONE OR TWO POSSIBLE EXCEPTIONS. PROVISIONS FOR CONSULTATIONS AND PRESERVATION OF HISTORIC TRADE PATTERNS WERE PARTICULARLY WELCOMED.

2. SCOTLAND (EMR) SAID POTENTIALLY MOST TROUBLESOME AREA WOULD BE BRITISH COLUMBIA WITH REGARD TO MISSLE DISTILLATES AND RESIDUAL FUEL OILS. BUNKER OIL WAS
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DESCRIBED AS IN EXTREMELY SHORT SUPPLY AND FUEL

SITUATION FOR CP AIR SERIOUS. ANOTHER EMR OFFICIAL (SHWARZ) PRESENT AT BRIEFING ESTIMATED BC IMPORTS FROM U.S. TO AVERAGE 25,000-30,000 B/D OVER A FULL YEAR WITH IMPORTANT SEASONAL VARIATIONS. SCHWARZ ALSO MENTIONED ONTARIO IMPORTS OF PENNSYLVANIA CRUDE AT RATE OF ABOUT 3,000 B/D.

3. SCOTLAND ALSO TOOK OCCASION OF EMBOFF'S VISIT TO MENTION SEVERAL OTHER ENERGY MATTERS WHICH WILL BE OF INTEREST.

(A) HE STATED THAT THERE MIGHT BE GOOD POSSIBILITY OF INCREASED NATURAL GAS SUPPLIES FROM ALBERTA TO EL PASO FOR WINTER SEASON.

(B) EMR HAS RECIEVED NUMEROUS INQUIRIES ABOUT SUPPLY SECURITY OF ONTARIO COAL IMPORTS FROM U.S. HE SAID THAT REPOSE IN ALL CASES HAS BEEN THAT U.S. RECORD ON MEETING CANADIAN COAL REQUIREMENTS HAS BEEN "FIRST-RATE" AND THAT NO DIFFICULTY WHATSOEVER IS ANTICIPATED. SCHWARZ, HOWEVER, MADE PASSING REFERENCE TO A HOUSE BILL WHICH APPARENTLY WOULD RESTRICT COAL EXPORTS.

(C) WHEN EMBOFF RAISED SERIOUS PROBLEM OF RESIDUAL OIL SUPPLY FOR MAINE PAPER MILLS, SCOTLAND STATED EMR WAS VERY AWARE OF PROBLEM, WAS EXTREMELY SYPATHETIC (PARTICULARLY FORM POINT OF VIEW OF ADVERSE EFFECTS ON CANADIAN ECONOMY IF MILLS HAD TO SHUT-DOWN), AND BELIEVED THAT GOC WOULD FIND SOLUTION WHICH WOULD SIDE-STEP THE RESTRICTIONS UNDER WHICH NEB HAD TO OPERATE. INTERSTINGLY, FULFORD HAD VOLUNTEERED TO EMBOFF EARLIER IN DAY THAT EXTAFF WAS ALSO CONCERNED ABOUT MAINE MILLS AND HE TOO INDICATED THAT WHILE NEB WAS IN SOMEWHAT OF A BOX IN TRYING TO BE HELPFUL SOME WAY WOULD HAVE TO BE FOUND TO TAKE CARE OF HARDSHIP CASES.

(D) SCOTLAND ALSO SAID HE WAS WORRIED ABOUT GAS SUPPLIES FOR ACROSS-THE-BORDER TRUCK TRAFFIC. HE
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SAID HE HAD SUGGESTED IN RECENT CONVERSATIONS WITH WASHINGTON OFFICIALS THAT SOME SPECIAL PROVISION MIGHT HAVE TO BE MADE, SUCH AS DESIGNATED GAS STATION OUTLETS WHERE CANADIAN TRUCKS COULD RE-FUEL. SIMILAR SITES COULD ALSO BE DESIGNATED IN CANADA FOR AMERICAN TRUCKS IF NECESSARY.

(E) SCOTLAND SAID HE WAS DISMAYED THAT PROSPECTS FOR

PRE-HOLIDAY PASSAGE OF ENERGY SUPPLIES EMERGENCY ACT
(INTRODUCED IN COMMONS BY ENERGY MINISTER MACDONALD
ON DECEMBER 3), AS WELL AS EXPORT TAX LEGISLATION, HAD
COLLAPSED DUE TO OPPOSITION PROGRESSIVE CONSERVATIVE
PARTY DECISION TO EFFECT CLAUSE-BY-CLAUSE EXAMINATION
AND DELAY FINAL
ACTION UNTIL AFTER JANUARY 22-23
FIRST MINISTERS' CONFERENCE ON ENERGY.

(F) SCOTLAND DESCRIBED SHAHEEN REFINERY PRODUCT OFFER
(OTTAWA 2929) AS A "HOAX" IN TERMS OF OFFERING ANY SIGNIFICANT RELIEF
TO ANTICIPATED CANADIAN OIL SHORTFALLS. HE SAID
COM-BY-CHANCE REFINERY WAS ONLY "SO-SO"
INSTALLATION WHICH WOULD NOT BE PERFORMING WELL FOR
SOME MONTHS.

4. SCOTLAND SAID HE UNDERSTOOD A MACDONALD-SIMON
MEETING HAD BEEN PROPOSED FOR END OF JANUARY
(FULFORD HAD MENTIONED A CANADIAN PROPOSAL FOR WEEK
OF JANUARY 28) AND THAT IDEALLY ANY SHARP-KISSINGER
MEETING IN WHICH ENERGY WAS TO BE DISCUSSED WOULD
MOST PROFITABLY TAKE PLACE SUBSEQUENTLY, I.E. IN
FEBRUARY (CANADIAN PRESS HAS REPORTED LIKELIHOOD OF
JANUARY OR FEBRUARY MEETING).

5. AT CONCLUSION OF MEETING, SCOTLAND SAID EMR WOULD
LOOK FORWARD TO INFORMATION ON TIMING AND MEANS OF
CONSULTATIONS REGARDING PROPOSED OIL
EXPORT CONTROLS.
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